

GENERAL CORRESPONDENCE.

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POSTAL SAVINGS BANKS.

Correspondence of The Progressive Farmer.

The present Secretary of the United States Treasury, Hon. L. J. Gage, is an able financier. From the standpoint of his class, bankers, capitalists, wealth accumulators as contrasted with wealth creators, he is beyond question an able man. What he has to say on financial matters deserves calm and careful consideration. Therefore I ask a thoughtful reading of the following discussion of the causes of unstable values, loss of "confidence," panics. It is quoted from the Report of Secretary Gage on the "State of the Finances," 1898 Says Mr. Gage:

"It is a familiar fact that, in the period of harvesting and crop moving, the currency is strongly drawn from the centers to the country districts. When this movement is over, the currency again tends toward the centers. The currency flows to the center to pay loans occasioned by its use and other general indebtedness, and also to secure the benefit of interest; to the country banker for a portion of his funds which in a dull period would otherwise lie unemployed in his hands. At present, the currency so sent consists almost entirely of legal tender notes and Treasury notes—that is to say, in the money which the law recognizes as lawful reserve. Thus received by the banks in the money centers, it becomes a reserve for deposits in the relation of one to four. Now, deposits may be increased by loans as well as by the deposit of cash. A loan for ten thousand or a hundred thousand goes to the borrower's credit upon the bank's books, and swells the deposit account by so much. True, the borrower may check against this fund, but his check may also be deposited in the same bank, in which case it is a mere transfer to another account; or, if it be deposited in another bank and paid in money by the lending bank, it is still a transfer. The total deposits of all the banks are swelled by this original loan.

"In confirmation that this expansive movement is fairly described, I quote from the New York Herald of November 13 as follows: 'Comparing yesterday's (clearing house) statement with that of five weeks ago, it appears that the banks hold 13 millions more money, and have expanded their loans by the surprising amount of 51 millions, the increase in deposits resulting from these two items being no less than 66 millions.' It can be easily perceived that this possibility of increasing loans against an inflow of reserve funds in the proportion of four to one is a temptation to which the city bank is likely to yield. It must be remembered that this inward movement of currency from the country occurs at the time of year when commercial activities are the least and the general requirements for the use of loans in the interior are the smallest. The effort of the banks at the centers to increase their loans causes interest to fall. The fall in the rate of interest causes interest and dividend paying securities to rise. The rise in securities induces speculative buying. The speculative buyer becomes the bank's borrowing customer. The banker is thus enabled to 'put out his funds,' as he is apt to term it, though he really does no such thing. He keeps his funds, but, in the way described, he swells his deposit liability until his funds on hand are made answerable to the rule of one of cash to four of liabilities, or 25 per cent against his 'deposits.'

"It is in the condition above described, with varying degrees of regularity and intensity, that the financial state is found when the crops in the West and South approach harvest—that is to say, a maximum of loans and deposits; a minimum in cash reserves. During the season until then, the country banker has found that his drafts and checks on his Eastern correspondents, distributed to his customers, supplied their needs for instruments of exchange and payment; but he finds that for the payment of farm wages, the purchase and transfer of farm products, such instruments are not adequate; cash is required for these purposes, either in metallic money or paper currency. This forces him to make requisition in the form of money by express on his Eastern balances. Nay, more; if crops be large and prices good, he is forced to supplement his own resources by borrowing for a period at the centers. His correspondent at the center, in meeting his requisitions for the money due his country customer, is obliged to take it from what had before constituted his legal reserve. This disturbs the equilibrium of relationships. To recover his position, he turns upon the street and calls in a portion of his loans. If the interior banker, after thus calling for the balances due him, asks in addition for a loan, the city banker is

often obliged to inform him that 'money is very close' and he cannot accommodate him. It must be noted also that the effort of the city banker to restore his impaired reserve by calling money from the street does not accomplish that direct result. There is no money 'in the street'; it is all in bank vaults, and the total stock can not be augmented except by inducing it to come in from without. What does result is a forced liquidation, a fall in prices of securities, a rise in interest sufficient to induce outside money to come in. In this process the merchant and the manufacturer find it difficult to negotiate their credits. They also are told that 'money is tight,' and that they must withhold applications for discount favors.

"I forbear to follow into further detail the unprofitable and vexatious movement. Gradually, after more or less strain and anxiety, sometimes bordering on panic, sometimes resulting in panic, a readjustment is secured. Crops from the interior—not seldom forced from the producer's hands, with little regard to price, because of his inability to borrow from his local banker—move to the seaboard. The strain on the country is relaxed. Again currency in the form of 'reserve funds' moves to the center. Again one dollar thus received becomes effective as reserve for four dollars of liability. Money is quoted easy, as the prospect for summer dullness becomes assured. 'The street' breathes easier, stocks and securities become 'firm,' and the movement toward an expansion in loans, with its attendant phenomenon of an increase in deposits, is again observed, to be again followed by restriction and probable distress as the active season in productive industry and trade again appears."

From all this the able Secretary draws an argument in favor of retiring all government notes and giving the banks a monopoly of issuing paper money. Evidently the astute banker overlooked the fact that he has built up, perhaps unconsciously, a forceful argument in favor of a postal bank. In fact, it shows the government, i. e. the people, should go into the banking business more thoroughly rather than adopt the slogan of the bankers as growled out by the "bears" of finance: 'The government should go out of the banking business.' Further, it shows the falsity of the oft echoed assertion, 'There is money enough in the country.' There isn't. The Secretary proves that the competition for the inadequate money supply makes money 'very close,' impairs the 'credit of the country banker, the merchant and manufacturer,' 'impairs the reserve of the city banker,' forces 'liquidation,' brings a 'fall in values,' a 'rise in interest' and 'panic to the street' and wholesale wreck and ruin to the country. His remedy is bank issue and bank control of all currency.

In January, 1893, the bank notes of the National Banks in circulation exceeded \$362,000,000. In one year it was \$12,000,000 less. In one more year it was \$21,000,000 still less. They called in \$12,000,000 in the following year. Retired \$21,000,000 in the succeeding year. Withdrew \$28,000,000 the next year. Maybe you recall the pinch in 1899! Well, the banks made money scarcer by \$35,000,000 in the twelve months of 1898! Those who didn't affirm 'there is money enough' were denounced as 'calamity howlers' and condemned for 'overproduction' of wealth! Industry made infamous! These Pharisees of finance to whom Gage, the astute, would confide the issuing AND RETIRING of ALL currency, locked up \$36,000,000 more of their notes during 1899! Do you recollect December of 1899? Every one was told 'money is tight.' And no wonder it was 'tight.' It had drunk of the wine cup of the wrath of the National Bank monopoly and all business reeled in sympathy. The year 1899 saw a further reduction of \$19,000,000 in National Bank circulation. 'There is as much money in the country as there ever was,' echoed the cuckoos of finance. The year 1891 saw a reduction of \$5,000,000. The 'bears' among bankers began to feel their own squeaks. July of that year saw the lowest depth, \$167,927,574 bank notes in circulation. The vortex of the whirlpool was in sight. In January, 1892, it had risen to \$173,000,000. Some one had seen the funnel form of the approaching financial cyclone and was trying to escape. These 'shorts,' who were trying to 'cover' by issuing more bank notes had raised it to \$176,000,000 in 1893 month of April.

Too late! The friends of finance had succeeded. There would be Noahs were outside the ark of safety Receivers for 2 banks in April, four in May, fifteen in June, twelve in July, seven in August, four in September, in October 6, in November 2 The report of the Comptroller of the Currency, December 4 1893, says: 'During the year 1893 National Banking associations were compelled to suspend business, capital stock \$30,350,000. Of these 65

were insolvent, capital stock \$10,935,000.'

The school masters of finance had given the country its 'object lesson' of their power—the power of money to oppress—by reducing the National Bank money issue over \$194,000,000 in less than nine years—an average of nearly one half million dollars a month. Even the naughty little banks in the National Bank infant class had been well spanked! (See pp 340 42, Comptroller's report of 1898.)

The amount of bank notes in circulation steadily increased from the date of the panic tidal wave crest, July, 1893 January, 1897, it had increased by \$68,000,000—over \$1,000,000 per month, average—and the 'prosperity' McKinley promised us dawned on the horizon's verge.

'Not coin, but confidence. Not mints, but mills,' quoth McKinley. Was he, also, cognizant of the great conspiracy?

And Gage, the astute, who would confide the issue—AND RETIRING—of all currency to this National Bank trust that retired \$2,000,000 a month until Uncle Sam fell prostrate from loss of 'circulation' under the scalps of these phlebotomists of finance, does he really think the people would be safe in the hands of these teachers of 'object lessons in finance?' Impossible! He knows better.

With the greenbacks out of the way, the bank trust can reduce their issues \$10,000,000 a month and reproduce the panic of 1893 any year, at will. But Republican policy has degenerated. Once it championed the many against the few. Now, the few are abetted against the many.

'Crops from the interior—not seldom forced from the producer's hands, with little regard to price, because of his inability to borrow from his local banker'—says Secretary Gage.

Yes, he can deposit his money in a bank, and the bank can demand 90 days' notice in a time of need.

Give him a proper system of postal savings bank and the elasticity so desired is his. Even the 'country banker' should be protected by having access to the benefits of the postal bank system. He should not be discriminated against in favor of the savings depositor. Instead of sending his idle cash to the 'centers,' where it is used as capital for speculation, four of 'confidence,' loan deposit, in the language of the Secretary, to one of cash, or 'reserve,' let him deposit it on call with his Uncle Sam at nominal interest till such time as he can do better. They let him loan it to the public to move crops.

There were 5,385,746 depositors in the savings banks of the United States in 1898, with \$2,065,631,295 deposited, and there were others in the National, State and private banks and trust companies, over \$1,636,000,000 in the last three. Half the depositors in the savings banks alone can carry the National debt and leave lots of business for the banks besides.

Uncle Sam can refund his debt through a postal savings bank at 3 per cent.—possibly 2 or 2½ per cent.

Postmaster General Wanamaker issued an 'Argument in favor of postal savings banks' in 1891 (By the way, as a politician and statesman he was quite promptly suppressed.) At that time Great Britain had a postal bank system, established 1861, an average of 111 depositors in 1,000 of population and \$77 47, average, due each. Austria, Italy, France, Netherlands, Belgium, Sweden, and even Russia had postal savings banks and all well patronized and prosperous. Canada, Australia, British Guinea and the Sandwich Islands had these banks, but in this model land of the free, the rulers, i. e., the people, were ruled by the banks and still are bossed by their nominal servants.

Why, bless you! the banks of the United States owed their depositors in 1898 as follows:

Savings banks.....	\$2,027,237,843
National banks.....	1,916,630,252
State banks.....	912,365,402
Loan and trust banks...	662,138,337
Private banks.....	62,085,084

Total.....\$5,580,456,978

All these banks had cash on hand, \$492,882,724. Enough to pay 9 cents in the dollar if all depositors demanded their cash at once. Total estimated money in the United States in 1898, \$1,837,859,895. Enough, if the banks had it all, to last about half a day and pay one third, if all depositors made a 'run' for their cash!

By the Comptroller's report, 1893, the depositors in postal banks of Europe and Canada numbered over 16,000,000 with one billion dollars deposits.

If the banks refuse us a postal bank, organize a depositor's association, 'run' the banks, and give them an 'object lesson in finance.' They are our creatures. Let's have a postal bank whatever! E. H. Davison, Mich.

A LETTER FROM THE PHILIPPINES.

Our Philippine Correspondent Writes of the Situation and Life Generally in Our New Possessions.

JARO, Panay Island, P. I.,

June 8 1899

Correspondence of The Progressive Farmer.

Since writing my letter preceding this I've received two issues of your most welcome paper.

On May 20th rain began falling here, and continued a steady downpour for three days and three nights. Everything became flooded; the large river overflowed; the water came rushing through the streets of Jaro, and several of our boys paddled canoes through the town. When the river was at its highest, and the men of my company were in quarters, three 'Bolo' men built a small raft of bamboo and floated down stream on it. When they reached our outpost, the sentry yelled to them to pull into shore, but the water was rushing along at such a furious rate that they couldn't steer their raft to shore; they continued on down stream until they reached the bridge, where there is a bend in the river, so they landed and were immediately surrounded by our boys, all anxious to learn the news from the enemy.

They were very scantily dressed, one fellow having on just a small piece of cloth around him. They were trembling and looked hungry, so we took them to the guard house, where they were questioned. Much interesting information was gained from them. They said their general had no 'denerio' (money) with which to pay his 'soldados' (soldiers); that the soldiers told him unless they received their pay soon they would shoot him. That privates in the Insurgent Army receive the promise of \$1, Mexican, a month, and don't receive the real money. That a corporal of insurgents is promised \$5, Mexican, a month; a sergeant \$10, a captain \$30, and a lieutenant colonel \$60. All their money is worth just one-half as much as ours. Women and children are suffering from hunger at Santa Barbara, and nearly all the Bolo men would surrender to us, but for two reasons: First, they are afraid of being caught in the attempt by their officers, who would shoot them; and they fear we would massacre them, as the Germans told them we would.

The insurgents of this island have made nine bamboo guns, with which they hope to use much damage when we advance on Santa Barbara, but we don't fear them, as they are worthless after one shot. They have dug a deep canal across the country between here and Santa Barbara, and have driven sharpened sticks of bamboo in it, covered it over with leaves and banana bushes. Their plan is that when our forces advance they will rapidly retreat, and we will fall into the ditch, and those sharp sticks would go clear through our bodies, killing us instantly. But thanks to our informants, we know all about their little game, so if we advance, we will be on the watch for the pitfall.

The three prisoners who surrendered are now working in the regimental canteen, receiving \$20, gold, and found, per month, and they say 'Americano mucho bueno' (America is very good.)

The third battalion of the first regiment Tennessee volunteers has moved from Iloilo to Jaro, being quartered in splendid dwellings, near the 18th infantry officers' quarters.

The Tennesseans are a jolly, good natured, soldierly set of fellows, and are well liked by many of the 18th's boys.

On their first night after they came up here, while their candles were burning, insurgents spied the lights in the usually dark buildings, and sent several Mausers and Remingtons into that section, but luckily no one was hit. The boys quickly put out the lights, and the enemy ceased firing. It is thought insurgents slipped close up to the river, which is about 75 yards wide, as we had withdrawn our outpost from the opposite side of it, on account of the high water carrying away the centre of the bridge. There was therefore nothing to prevent a regiment of them stealing close up to our lines at night, and firing many volleys into town. The water has fallen in the river, but on account of the centre of the bridge being gone, we haven't again put our outpost on the other side of the river. There is some talk

of building a potoon bridge across it; then when the water rises the bridge will rise with it.

Operations against the insurgents of this island have been suspended until after the rainy season. Considerable rain falls here every day lately.

Mangoes, a luscious fruit, are now ripe here, and we eat a goodly number of them, as they are said to contain a medicinal quality, and are the best things we could eat here. They grow on large trees which resemble North Carolina oaks. We pull the fruit which is oblong in shape, having a large stone in centre, is green in color and may weigh 1½ pounds each. We wrap them in paper and put them in a dark place, where they remain until they ripen, which takes nearly a week. When ripe they are a golden yellow, and taste slightly similar to a pear and plum mixed.

We were paid two months' wages recently, and the boys are happy.

We have three monkeys and a 'Polly,' and they often get into a fight, and feathers fly, while fur does likewise. There is much talking on Polly's side, and unintelligible chattering among the monkeys. Polly tells the monkeys they are 'niggers'—our boys taught it that—whereupon the monkeys become very, and go at Polly, but Polly has wings and us them to get out of the monkeys' reach. As soon as

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